



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
820 N. FRENCH STREET
WILMINGTON, DELAWARE 19801

DIVISION OF REVENUE

TAX RULING 89-1

June 1, 1989

**SUBJECT: CORPORATE INCOME TAX REQUIREMENTS
FOR SHORT PERIOD RETURNS**

Questions have been raised concerning the filing requirements relating to number of returns, tentative tax payments, due dates and extensions for filing Delaware Corporate Income Tax returns resulting from short period returns required under the Internal Revenue Code.

Short period returns are required when there is a change of the annual accounting period or where the taxpayer is not in existence for the entire year. Short period returns are also required when there is a change of ownership as in the case of a subsidiary required to file a consolidated federal income tax return with its parent.

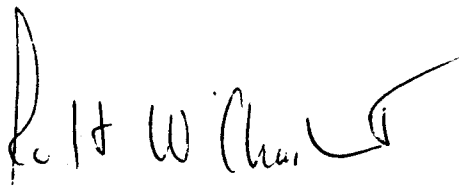
Chapter 19 of Title 30 of the Delaware Code provides the linkage to the Internal Revenue Code as the starting point for state taxation. Section 1903(a) provides for the computation of taxable income as "...the amount of its federal taxable income for such year as computed for purposes of the federal income tax increased by". The terms "income year" and "federal income tax" are defined in Section 1901. Income year means the taxable year for which the taxpayer computes its net income for purposes of the federal income tax. Federal income tax means the tax imposed on corporations by the federal Internal Revenue Code of 1954 as amended. Thus, the starting point is "Federal Taxable Income for the taxable year". Since the Internal Revenue Code defines taxable period and the taxable income for short period returns, it follows that: (A) Short period Delaware corporate income tax returns are required; (B) A short period Delaware return is required for each short period federal return filed; and (C) Short period federal taxable income is the starting point for state taxation.

The State of Delaware does not require or permit the filing of a consolidated corporate income tax return. Each corporation doing business in the State must file a separate corporate income tax return regardless of the change of its ownership during the taxable year. Since short period federal income tax returns are required when changes of ownership occur, multiple separate Delaware returns are required notwithstanding the fact that there was no change in the accounting period. For example, ABC Corporation is a calendar year taxpayer doing business in Delaware. On June 1, ABC is acquired by ACQ Corporation who is also a calendar year taxpayer. The Internal Revenue Code requires ABC to file two short period returns -- January 1 to May 31 and June 1 to December 31. Since two short period federal income tax returns are required, two short period Delaware returns are required.

Section 1905 requires corporate taxpayers to make tentative tax payments. Tentative payments are due April 1, June 15, September 15 and December 15 for calendar year taxpayers and on the first day of the fourth month and the 15th day of the 6th, 9th and 12th months of the taxable year for fiscal year taxpayers. Tentative tax payments are not required for short period returns of three months or less. Tentative tax payments are required for short period returns of four or more months. Payments for such short period returns are due on the same dates as required for fiscal year taxpayers.

Final corporate income tax returns are due on the first day of the fourth month following the close of the taxable year. Short period returns of dissolving corporations are due on the first day of the fourth month after the end of the business. Short period returns resulting from acquisitions or mergers are due on the first day of the fourth month after the end of the taxable preacquisition and postacquisition periods.

Extensions of time to file short period returns will be granted in the same manner as full taxable year returns.

A handwritten signature in black ink, appearing to read "Robert W. Chasant", with a stylized flourish at the end.

Robert W. Chasant
Director of Revenue